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JUN 1 2 1967

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. John Lenny:

Consideriors Equipment to Destary Dasco-s

The fluir attrobert to your Rule 7 lettue states that Observe is not prepared to account the State proposal to enter no objection to any COUNT exception case for expent to Enstern Europe end the USEP of the frequency division sultiples equipment the U.H. proposed to recove from emerge, if the resident povernment populated an assurance of peaceful end-use. Defense his proviously communed in the State proposal. CIA's April 28 memoranders ventited their view that the strategic accument is valid but they recognize there may be execution; foreign policy considerations in this case.

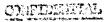
He believe there are exemplaint foreign policy considerations. A caper objective in COCM is to prevent experts to China unich equid contribute significantly to that country's nuclear and missibes programs. U.S. refusal to relax various items, including corrections income interpretations under which expects to China as well as to Castern Duroge are permissible. There are some items incompant to China which we diship probably cont to add to the COCM List. Others will be very relations to assent to new coverage on a China argument if the U.S. has not eleming desirative terms in the distribution on exemplain cases to Eastern Duroge for existing items for which China is not cally distributions. Controlling expects to China is not our only objective in COCM but, in this includes, we believe it is our preparent objective.

The attachment to your letter suggests that any relaxation of this item should be considered as pure of a larger package with union to ceak a quid the que. In a formal sense, it is not possible to seek a quid the que in return for a U.S. policy on exception cases. This policy would not logically be documented together with international appropriation of interest to the U.S. As an informal same, the U.S. has already obtained a substantial quid pro que. The U.S. ruised the subject as an obvious becasining point in connection with

State Dept. review completed

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the W.S. proposal for a consultation aroungement on computer exports to Chias. Yet the U.M. proceeded to agree with the U.S. corrector proposal without writing for a U.S. reply on the communications items. It is true, of course, that the U.S. had previously greed to the export of U.S.-prigin parts for the British EFM 4-50 computer to Greekoolovakia in return for drivish agreement to discuss the U.S. computer proposal. However, evan if the computer arrangement were completely discounted as a quid pro que (which I think would be an exaggeration), we also med have Smitish acceptance of our apprents on communications equipment as far as China is concerned. This is a significant milestone in that they so not concode that communications equipment meets the CACTI centeria for enlarge. In other words, the British position constitutes a form of acceptance of a China differential. The prospect of no further Prities attacks in CDCM on this item constitutes a big plus in torus of reducing bitterness at future list Reviews.

We therefore plan to send a letter to the United Kingdom in a few days along the lines of our April 14 proposal to you (copy enclosed).

Simceroly yours,

Mosenn A. Gressmald Jenuty Assistant Secretary for International Trade Policy

Enclosure:

Cony of letter to the United Kingdon.

E/EMT: MAROOT: SD

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cc: Defense - Mr. Barber CIA - Mr. Morell

CHETOLINI.

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bear allos

On February 24 you named that we reconsider the U.K. Angests to (1) relax the subarge on frequency division politicism equipment, as described in COOM for (00) Islaft and (1) delete the subarge on reductional consist solds, sub-)realistic). At that time I speeded the Special U.S. Concern on expert of these stems to II has. On April 28 Nr. O'Spien informed as then, strangen you do not feel the steels because subarge by a placetion of the strategue criteria, you accord the U.S. expenses on for as these as concerned. An appreciate your response.

I would like to confine that the U.S. will enter up objection to day total exception to the temporal for the temporal for the part of the day of the part of the day of the part of the day of the part of the confinct and amounts for modifical transcriptions are reasonable and, in the case of multiplex equipment, the recipient poverment provides an assurance of perceful and use. It is not expected that this condition will cause difficulties, because the order trading organizations in these conditions notably provide statements on and use.

Sincercly youas,

Juscio A. Greenesid Bejuly Assistant Secretory for laterastional Trade intro-

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